

Decision _____

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application Pacific Gas and Electric Company in
its 2002 Nuclear Decommissioning Cost Triennial
Proceeding (U 39 E).

Application 02-03-020
(Filed March 15, 2002)

O P I N I O N**I. Summary**

By this decision, we approve the petition of Pacific Gas and Electric Company (PG&E) to modify Decision (D.) 03-10-014 such that it will be able to put all of its nuclear decommissioning trust fund contributions (contributions) for Humboldt Bay Power Plant Unit 3 (Humboldt) into the qualified trust for Humboldt, as opposed to its current authorization to put half of the contributions in the qualified trust, and half in the non-qualified trust. This will result in a net present value benefit to ratepayers of about \$850,000.

II. Background

PG&E represents that it has been informed by representatives of the United States Internal Revenue Service (IRS) that if it receives the Commission's authorization, it will be allowed to put all of the contributions for Humboldt into the qualified trust. Furthermore, if it receives authorization by December 31, 2004, it can put the 2004 contributions in the qualified trust as well as those for 2005. As a result, it filed this petition.

III. Discussion

In D.03-10-014, we authorized PG&E to place half of the contributions for Humboldt in the qualified trust, and half in the non-qualified trust, based on our understanding that this split between the trusts was required by the IRS. This authorization was not explicitly addressed, but was reflected in Attachment A to D.03-10-014.

There are two types of nuclear decommissioning trusts; qualified and non-qualified. Contributions to qualified trusts are made with pre-tax dollars, and trust earnings and other taxable gains are taxed at a 20% rate.¹ Contributions to non-qualified trusts are made with after-tax dollars, and trust earnings and other taxable gains are taxed at the ordinary corporate tax rate of 35%. Disbursements from non-qualified trusts will receive a tax deduction when they are made, whereas disbursements from qualified trusts will not.

PG&E explains that, in D.03-10-014, it was authorized revenue requirements for Humboldt that provided for contributions to the two trusts of \$6.648 million each, and for taxes on the contribution to the non-qualified trust of \$ 5.122 million, for a total of \$18.440 million. Pursuant to its proposal, the entire \$18.440 million will be contributed to the qualified trust. PG&E represents that this will result in a net present value benefit to ratepayers of just under \$850,000. PG&E does not propose to change rates at this time, but states that approval of its petition will result in a lower revenue requirement in its next nuclear decommissioning cost triennial review that will be filed later this year. Since

¹ Contributions to qualified trusts qualify for an income tax deduction under U.S. Internal Revenue Code Section 468A.

PG&E's proposal is unopposed, will not increase rates, and will result in net benefits to ratepayers, we will approve it, and modify Attachment A accordingly.

IV. Comments on Draft Decision

This is an uncontested matter, in which the decision grants the relief requested. Accordingly, pursuant to Pub. Util. Code § 311(g)(2), the otherwise applicable 30-day period for public review and comment is being waived.

V. Assignment of Proceeding

Geoffrey F. Brown is the Assigned Commissioner and Jeffrey P. O'Donnell is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. In D.03-10-014, we authorized PG&E to place half of the contributions for Humboldt in the qualified trust, and half in the non-qualified trust.
2. D.03-10-014, PG&E was authorized revenue requirements for Humboldt that provided for contributions to the two trusts of \$6.648 million each, and for taxes on the contribution to the non-qualified trust of \$ 5.122 million, for a total of \$18.440 million.
3. PG&E's proposal will not increase rates, and will result in just under \$850,000 in present value net benefits to ratepayers.
4. No protests have been filed.
5. A hearing is not required.

Conclusions of Law

1. PG&E's request to put all of the contributions for Humboldt into the qualified trust should be approved.
2. Attachment A to D.02-10-014 should be modified to reflect this change.
3. This order should be effective today so that ratepayers will receive the benefits discussed herein.

O R D E R

IT IS ORDERED that:

1. The petition of Pacific Gas and Electric Company to modify Decision (D.) 03-10-014 such that it will be able to put all of its nuclear decommissioning trust fund contributions for Humboldt Bay Power Plant Unit 3 into the qualified trust is granted.
2. Attachment A to D.03-10-014 is replaced with the revised Attachment A attached hereto.
3. This proceeding is closed.

This order is effective today.

Dated _____, 2004, at San Francisco, California.

ATTACHMENT A

List of deficiencies in the tariff filed by TC Telephone LLC in A.04-01-008 to be corrected in its tariff compliance filing.

ATTACHMENT A – PAGE 1

Pacific Gas and Electric Company

Electric Department

Results of Operations **Based on Petition to Modify Decision 03-10-014**

Humboldt Nuclear Decommissioning Services

Year 2004, 2005

(Thousands of Dollars)

| Line No. | Description | CPUC (A) | FERC (B) | Total | Line No. |
|----------------------------|-----------------------------|----------|----------|--------|----------|
| REVENUE: | | | | | |
| 1 | Revenue at Effective Rates | 18,450 | 15 | 18,465 | 1 |
| 2 | Less Non-General Revenue | 0 | 0 | 0 | 2 |
| 3 | General Rate Case Revenue | 18,450 | 15 | 18,465 | 3 |
| OPERATING EXPENSES: | | | | | |
| 4 | Energy Costs | 0 | 0 | 0 | 4 |
| 5 | Other Production | 0 | 0 | 0 | 5 |
| 6 | Storage | 0 | 0 | 0 | 6 |
| 7 | Transmission | 0 | 0 | 0 | 7 |
| 8 | Distribution | 0 | 0 | 0 | 8 |
| 9 | Customer Accounts | 0 | 0 | 0 | 9 |
| 10 | Uncollectibles | 62 | 0 | 62 | 10 |
| 11 | Customer Services | 0 | 0 | 0 | 11 |
| 12 | Administrative and General | 0 | 0 | 0 | 12 |
| 13 | Franchise Requirements | 117 | 0 | 117 | 13 |
| 14 | Project Amortization | 0 | 0 | 0 | 14 |
| 15 | Wage Change Impacts | 0 | 0 | 0 | 15 |
| 16 | Other Price Change Impacts | 0 | 0 | 0 | 16 |
| 17 | Other Adjustments | 0 | 0 | 0 | 17 |
| 18 | Subtotal Expenses: | 179 | 0 | 179 | 18 |
| TAXES: | | | | | |
| 19 | Superfund | 0 | 0 | 0 | 19 |
| 20 | Property | 0 | 0 | 0 | 20 |
| 21 | Payroll | 0 | 0 | 0 | 21 |
| 22 | Business | 0 | 0 | 0 | 22 |
| 23 | Other | 0 | 0 | 0 | 23 |
| 24 | State Corporation Franchise | (11) | (0) | (11) | 24 |
| 25 | Federal Income | (44) | (0) | (44) | 25 |
| 26 | Total Taxes | (56) | (0) | (56) | 26 |
| 27 | Depreciation | 0 | 0 | 0 | 27 |
| 28 | Fossil Decommissioning | 0 | 0 | 0 | 28 |

| Line No. | Description | CPUC (A) | FERC (B) | Total | Line No. |
|-------------------------------|--------------------------|-----------------|-----------------|---------------|-----------------|
| 29 | Nuclear Decommissioning | 18,440 | 15 | 18,455 | 29 |
| 30 | Total Operating Expenses | 18,563 | 15 | 18,578 | 30 |
| 32 | Rate Base | (1,236) | (0) | (1,236) | 32 |
| <u>RATE OF RETURN:</u> | | | | | |
| 33 | On Rate Base | 9.12% | 9.12% | 9.12% | 33 |
| 34 | On Equity | 11.22% | 11.22% | 11.22% | 34 |

NOTES:

Line 32 -- From Effects on Working Capital
CPUC Jurisdictional factor of .999175
All FERC contributions are to a qualified account

(END OF ATTACHMENT A)